

Message Text

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22

ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /093 W
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P R 150917Z JUL 76

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC PRIORITY 2593

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

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PASS AGRICULTURE

EO 11652 N/A

TAGS: ETRD, EAGR, EEC, DA

SUBJ: PROPOSAL TO TAX VEGETABLE FATS AND OILS

REF: 1) COPENHAGEN 2301, 2) STATE 170962

1. SUMMARY. FOLLOWING MEETINGS AT MFA AND AGRICULTURAL
COUNCIL REPORTED REFTEL 1), AGATT REVIEWED US CONCERNS
REF 2) ABOUT EC COMMISSION PROPOSAL TA TAX VEGETABLE FATS
AND OILS WITH DEPUTY SECRETARY OF AGRICULTURE, HANS JORGEN
KRISTENSEN. HAVING RECENTLY RETURNED FROM TRAVEL THROUGH
US CORN BELT AND TO WASHINGTON WITH HIS MINISTER OF
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AGRICULTURE, HE WAS NOT SURPRISED AT US REACTION TO VEGETABLE

FAT TAX PROPOSALS. IN ESSENCE HIS COMMENTS LARGELY CONFIRMED SUBSTANCE OF DANISH RESPONSES REPORTED REFTEL 1); I.E., A) OFFICIAL DANISH POSITION ON COMMISSION PROPOSAL NOT YET FORMULATED, B) DENMARK HAS A NUMBER OF MISGIVINGS ABOUT TOTAL DAIRY PACKAGE, AND C) DANES DOUBT EC DECISION TO DEAL WITH DAIRY SURPLUSES WILL BE MADE BEFORE OCTOBER AND PROBABLY NOT THEN IN REGARD TO TAXING VEGETABLE OILS. END SUMMARY.

2. KRISTENSEN SAID MUCH OF THE PROBLEM OF COURSE GOES BACK TO THE EXCESSIVE INCREASES IN APRIL OF EC DAIRY PRICES, WHICH DENMARK HAD OPPOSED. HOWEVER, GIVEN THE SOCIAL-ECONOMIC PRESSURES UNDERLYING THE CAP IT IS UNREALISTIC FOR AMERICANS TO SUGGEST THAT DAIRY PRICES SHOULD NOW BE ROLLED BACK, JUST AS DENMARK'S EARLIER POSITION THAT INTERVENTION PRICES FOR NFDM SHOULD BE LOWERED TO A A LEVEL WHERE THE SURPLUSES WOULD MOVE COMMERCIALY WAS UNREALISTIC. ALTERNATIVE MEASURES TO DEAL WITH DAIRY SURPLUS PROBLEM HAD TO BE FOUND AND AT THE SAME TIME FORCES ELSEWHERE IN EUROPE (FRANCE) THAT HAVE LONG BEEN SEEKING A VEGETABLE PROTEIN AND FAT POLICY TOOK THE OPPORTUNITY TO PRESS FOR THE VEGETABLE OIL TAX AS A COROLLARY TO THE MILK TAX. (THE MOVE IS DIRECTED NOT ONLY AT OUTSIDE SUPPLIERS OF VEGETABLE OILS BUT ALSO AT COMPANIES WITHIN THE EC THAT ARE EXPANDING THE SUBSTITUTION OF VEGETABLE FAT FOR MILKFAT IN THEIR PRODUCTS.)

3. IN ADDITION TO DOUBTS ABOUT THE WISDOM OF TRYING TO INTRODUCE AN EC TAX ON VEGETABLE OILS, THE DANES ARE LESS THAN HAPPY ABOUT OTHER ASPECTS OF LARDINOIS' DAIRY PACKAGE. WHILE DENMARK THOUGHT IT HAD REACHED A SATISFACTORY UNDERSTANDING WITH LARDINOIS ON MEASURES TO DEAL WITH THE DAIRY PROBLEM A FEW WEEKS AGO, WHAT IS EMERGING AS THE COMMISSION'S PROPOSALS IS DIFFERENT FROM WHAT THE DANES HAD THOUGHT THEY HAD AGREED TO. AT THIS POINT, KRISTENSEN SAID HE WAS IN FACT SURPRISED THAT THE COMMISSION CAME FORTH WITH THE VEGETABLE TAX PROPOSAL AS PART OF THE DAIRY PACKAGE. WHILE HE SAID THE IMPACT OF THE PROPOSED TAX ON VEGETABLE OILS ON THE PORK AND OTHER SECTORS OF DANISH AGRICULTURE HAD TO BE STUDIED, IT WAS ALREADY APPARENT THAT THERE WOULD BE AN ADVERSE REACTION FROM CONSUMERS.

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4. KRISTENSEN REPEATED THAT HIS GOVERNMENT WAS ONLY BEGINNING TO FOCUS ON THE DEVELOPMENT OF A DANISH POSITION ON THE COMMISSION'S DAIRY PROPOSALS AND THAT HE WAS SURE THAT THE PROPOSALS WOULD ONLY BE PRELIMINARILY DISCUSSED IN THE JULY 19 COUNCIL OF AGRICULTURAL MINISTERS' MEETING. HE ALSO SEEMED CONFIDENT THAT NO DECISION ON THE MILK TAX OR OTHER DAIRY PROPOSALS WOULD BE TAKEN BEFORE OCTOBER AND HE BELIEVED THAT

A DECISION ON THE VEGETABLE OIL TAX WOULD BE POSPONED MUCH
LONGER THAN THAT. BECAUSE OF DROUGHT UNCERTAINTIES, THE
FRENCH ARE REPORTEDLY ALREADY BACKING AWAY FROM TAKING ANY
ACTION ON THE DAIRY PACKAGE IN THE NEAR FUTURE.
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